

Message Text

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ORIGIN NEA-11

INFO OCT-01 EUR-12 ISO-00 L-03 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10
INT-05 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /139 R

DRAFTED BY NEA/ARP:D M WINN:LB
APPROVED BY NEA/ARP:J W TWINAM
NEA/IRN:M JOHNSON (INFO)
L/NEA:D H SMALL (INFO)
-----024872 190221Z /65

P R 182227Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY ABU DHABI PRIORITY
AMEMBASSY TEHRAN PRIORITY
INFO AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT

C O N F I D E N T I A L STATE 127281

E.O. 11652: GDS

TAGS: ENRG, EINV, TC, IR

SUBJECT: TAX AND ROYALTY PROBLEM FOR CRESCENT PETROLEUM

REFERENCE: STATE 122746 AND PREVIOUS

1. BUTTES REP ELY AND OTHERS MAY 18 PASSED TO ARP COPY OF
LETTER WHICH WILL BE DELIVERED BY SPECIAL COURIER TO SHEIKH
SULTAN AROUND MID-DAY ON SATURDAY, MAY 20. TEXT FOLLOWS.

QUOTE:

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H.H. SHEIKH SULTAN BIN MOHAMED AL-QASIMI, RULER OF SHARJAH
AND DEPENDENCIES, SHARJAH, UNITED ARAB EMIRATES

AFTER GREETING,
THIS WILL ACKNOWLEDGE RECEIPT OF THE LETTER OF YOUR HIGH-
NESS, DATED MAY 4, 1978, ANSWERING OURS OF MARCH 22, 1978,

WHICH IN TURN ANSWERED THAT OF YOUR HIGHNESS DATED
FEBRUARY 25, 1978.

WE NOTE YOUR HIGHNESS' REFERENCE TO STATE SOVEREIGNTY AND,
OF COURSE, FULLY RESPECT SHARJAH'S SOVEREIGNTY. WE ARE
ADVISED BY COUNSEL HOWEVER, THAT UNDER INTERNATIONAL LAW
A STATE, BY VIRTUE OF THE VERY SOVEREIGNTY WHICH IT
EXERCISES WITHIN ITS TERRITORY, POSSESSES THE LEGAL POWERS

TO GRANT RIGHTS AND TO MAKE COMMITMENTS, FROM WHICH IT MAY
FORBID ITSELF TO UNILATERALLY WITHDRAW, INCLUDING STABIL-
IZATION OF TAXES AND THE ARBITRATION OF DISPUTES, AND THAT
SHARJAH EXERCISED THESE SOVEREIGN RIGHTS IN ENTERING INTO
OUR CONTRACT.

WE REGRET TO NOTE YOUR HIGHNESS DOES NOT APPEAR TO BE
PLANNING TO APPOINT AN ARBITRATOR. IN SUCH CASE, WE WOULD,
WITH GREAT RELUCTANCE, BE UNDER THE NECESSITY OF PURSUING
THE ONLY COURSE OPEN TO US, IN ACCORDANCE WITH ARTICLE
34(B) OF THE CONTRACT. THIS PROVIDES:

"EACH PARTY WILL NOMINATE ITS OWN ARBITRATOR WITHIN SIXTY
(60) DAYS AFTER THE DELIVERY OF A REQUEST SO TO DO BY THE
OTHER PARTY FAILING WHICH ITS ARBITRATOR MAY AT THE REQUEST
OF THE OTHER PARTY BE DESIGNATED BY THE PRESIDENT OF THE
INTERNATIONAL COURT OF JUSTICE. IN THE EVENT OF THE
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ARBITRATORS FAILING TO AGREE UPON A REFEREE, THE PRESIDENT
OF THE INTERNATIONAL COURT OF JUSTICE MAY APPOINT A REFEREE
AT THE REQUEST OF THE ARBITRATORS OR EITHER OF THEM."

WE HOPE THAT YOUR HIGHNESS WILL RECONSIDER, AND WILL
APPOINT AN ARBITRATOR. IF THIS EVENT DOES NOT HAPPEN, WE
WILL, OF NECESSITY, REQUEST THE PRESIDENT OF THE INTER-
NATIONAL COURT OF JUSTICE TO APPOINT AN ARBITRATOR FOR
SHARJAH, AND PROCEED THEREAFTER IN ACCORDANCE WITH
ARTICLE 34(B), ABOVE QUOTED.

MAY WE RESPECTFULLY BRING TO YOUR HIGHNESS' ATTENTION THAT
WHILE OUR LETTER OF MARCH 22 DOES NOT CLOSE THE DOOR TO
FURTHER DISCUSSIONS TO REACH SETTLEMENT ON A MUTUALLY
ACCEPTABLE BASIS, AT ANY TIME BEFORE FINAL DECISION OF THE
ARBITRATORS OR FINAL DECISION OF THE REFEREE, AS THE CASE
MAY BE, UNFORTUNATELY YOUR HIGHNESS' LETTERS OF FEBRUARY
25 AND MAY 4 GIVE US NO ALTERNATIVE TO SEEKING THE IMPAR-
TIAL, AMICABLE RESOLUTION OF OUR DISPUTE THROUGH ARBITRA-
TION.

PLEASE ACCEPT OUR HIGHEST RESPECT AND REGARDS,

BUTTES GAS AND OIL CO. INTERNATIONAL
BY E W WELLBAUM

ADVANCE PETROLEUM LIMITED
BY RICHARD A. WASTINUPT

CITCO-MID EAST, INC.
BY MAX A. BOLICH

KETT-MC GEE EASTERN COMPANY
BY BURRELL G. TAYLOR

SKELLY INTERNATIONAL OIL COMPANY
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BY H A WENDT

JUNIPER PETROLEUM CORPORATION
BY RICHARD J. HEIDER
END QUOTE.

2. ARP BRIEFED BUTTES REPS ON SUBSTANCE OF LATEST INSTRUCTIONS TO TEHRAN (REFTEL). THEY EXPRESSED GREAT INTEREST IN BEING INFORMED AS TO RESULTS OF EMBASSY APPROACH TO IRANIANS. ARP PROMISED TO BE IN TOUCH.
VANCE

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NNN

Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition History: n/a
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